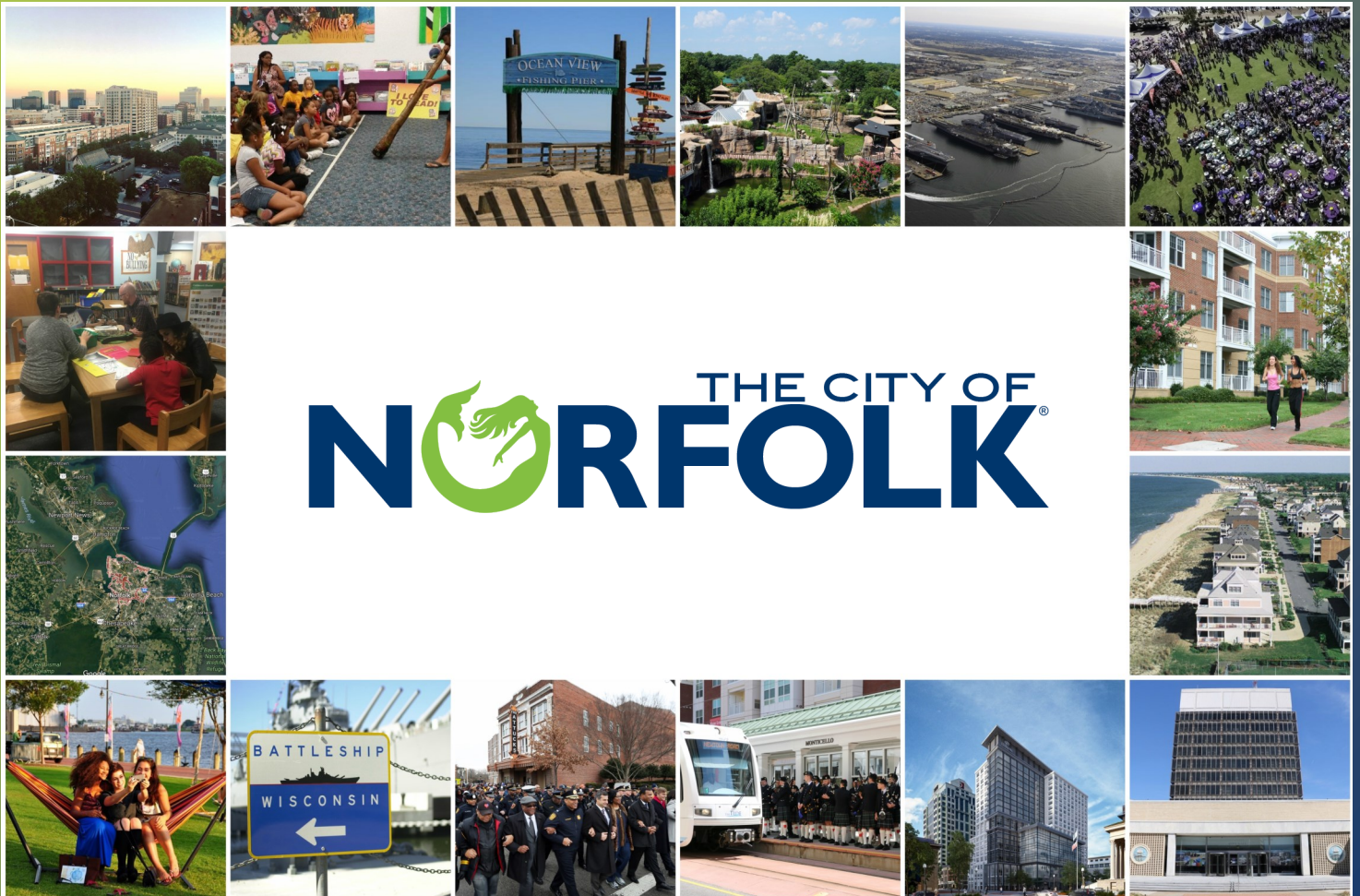


Popular Annual Financial Report

City of Norfolk, Virginia

For The Fiscal Year Ending June 30, 2017



THE CITY OF
NORFOLK

In This Issue

Norfolk Government	3
Norfolk Education	4
Norfolk by the Numbers	5
Where the Money Comes From	6
Revenues	7-8
Where the Money Goes	9
Capital Assets	10
Statement of Net Position	11
Income Statement	12
Debt Administration	13
Norfolk Awards and Recognition	14
Glossary	15
Stay Connected	16

City Council Members as of June 30, 2017



Mayor
Kenneth Cooper Alexander



Vice Mayor
Dr. Theresa W. Whibley
Ward 2



Council Member
Martin A. Thomas
Ward 1



Council Member
Mammie Johnson
Ward 3



Council Member
Paul R. Riddick
Ward 4



Council Member
Thomas R. Smigiel
Ward 5



Council Member
Andria P. McClellan
Super Ward 6



Council Member
Angella Williams Graves
Super Ward 7



City Manager
Douglas L. Smith

Dear Citizens and Council Members,

Our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017, was prepared by the Department of Finance to provide readers of interest an easy to understand summary of our financial activities. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a user-friendly manner that will summarize and communicate the City's financial condition.

All of the data presented in this report is taken from the City's Comprehensive Annual Financial Report (CAFR). The financial data in the CAFR is presented in accordance with Generally Accepted Accounting Principles (GAAP). Organizations that issue a CAFR are required to be compliant with GAAP. This also helps to make their reports and records comparable with other entities, so definitions, parameters and calculations are performed and presented the same way throughout different organizations. However, when trying to give a user-friendly overview, it can be beneficial to provide condensed data that does not include all the extensive financial details and additional documentation required by GAAP. For that reason, this document is presented on a non-GAAP basis even though the original sources is the CAFR, a GAAP-compliant document.

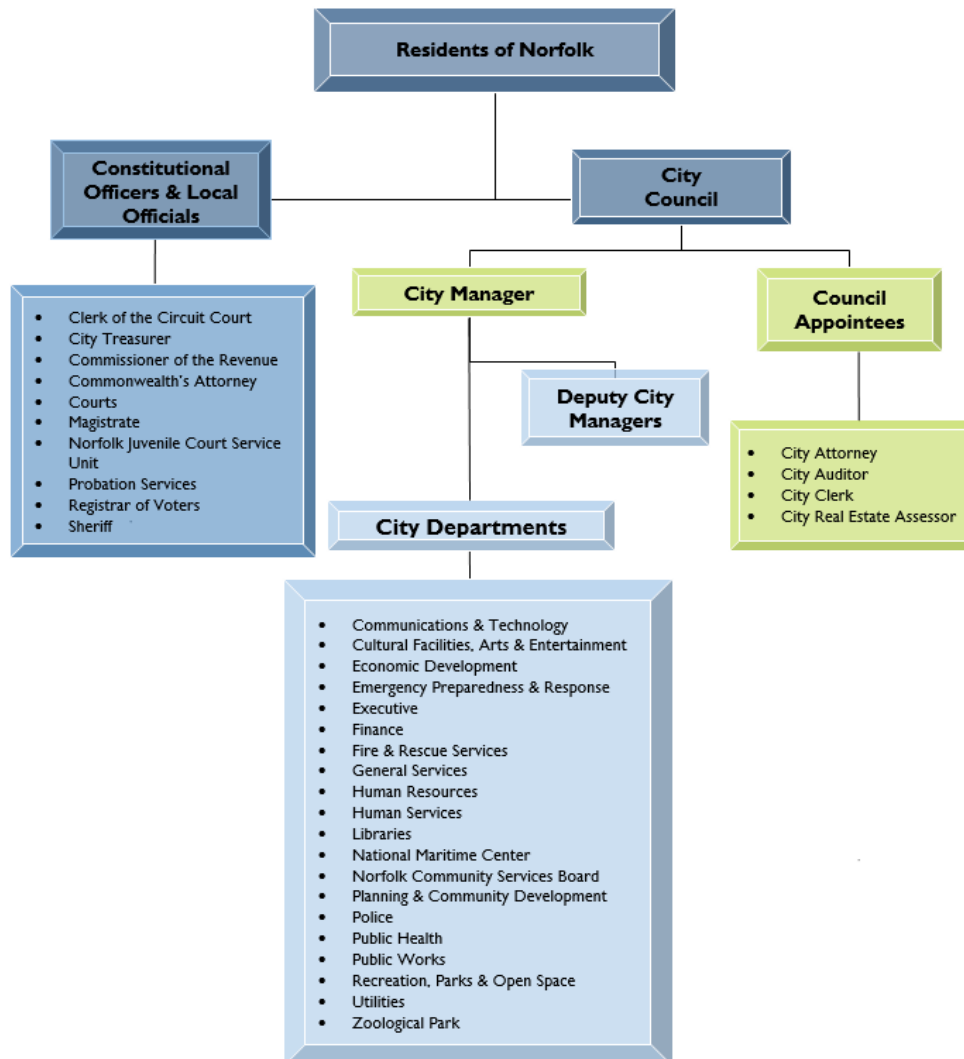
We hope you enjoy reading this report and invite you to access this report and our audited CAFR online for more detailed information. We welcome your questions, comments and suggestion regarding the information included in this report. You can contact our office at (757) 664-4346.

Sincerely,

The Department of Finance

Norfolk Government

City of Norfolk, Virginia Organizational Chart



The City provides a full range of general governmental services for its residents. These services include police protection; fire and paramedical services; public health and social services; planning and zoning management; neighborhood preservation and code enforcement; environmental storm water management; local street maintenance; traffic control; design, construction and maintenance of public buildings and infrastructure; parks and cemeteries operations and maintenance; recreation and library services; collection and disposal of refuse and recycling; water and wastewater utilities; construction and operation of parking facilities; arts, entertainment and cultural affairs; and general administrative services.

Norfolk Education

Higher Education



Higher education plays a critical role in developing a highly skilled and competitive workforce. The City is home to four institutions of higher education including Old Dominion University, Norfolk State University, Eastern Virginia Medical School and Tidewater Community College. ODU is one of only 100 public research universities nationwide. Norfolk State University is Virginia's largest public, historically black university and one of the largest predominately black institutions in the nation. Located in Downtown, Tidewater Community College has five buildings, including the Jeanne and George Roper Performing Arts Center. Eastern Virginia Medical School, dedicated solely to biomedical and health education, has an economic impact on the regional economy of \$824 million annually.



K-12 Education

Norfolk public schools have a low pupil-teacher ratio with class sizes below the national average. Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Oceanair Elementary.

School construction remains a priority as the City made a commitment to build or replace five schools. The first school replaced was Crossroads Elementary, which opened in 2012. Additionally, Campostella K-8 and Broad Creek Elementary School opened in September 2016 and Larchmont and Ocean View Elementary Schools opened September 2017. Camp Allen will be the final school to open and will be completed in two phases. Phase 1 is scheduled to be completed in October 2018 and Phase 2 in October 2019.



Crossroads
Elementary

Richard Bowling
at Broad Creek



Southside STEM
Academy at
Campostella



Norfolk By The Numbers

2nd

Norfolk is the
Second Largest City
in the
Commonwealth

247,087

2016 Population of
Norfolk

3,942

City of Norfolk
Full-Time Employees

66

Norfolk Area in
Square Miles

5.2%

Norfolk
Unemployment
Rate 2016

\$35,940

Per Capita Personal
Income

\$193,100

Median Housing Value

74

Parks

11

Libraries

106

Playgrounds

30

Community Centers

PARKNG

27

Parking Lots/Garages

WASTEWATER

134

Pump Stations

POLICE

3

Police Stations

235,763

Service Calls

FIRE

14

Fire Stations

47,232

Incidences

PUBLIC WORKS

2,213

Miles of Streets

32,081

Streetlights

Where the Money Comes From

The City has six different types of funds. The General fund provides funding for the daily operations and services of the City. Internal Service, Special Revenue and Enterprise funds have specific sources of revenue and have restrictions on how the City uses them. For example, the revenues received from parking garages can only pay for parking related items. Capital Projects and Grant funds are restricted for capital construction and grant-related activities.

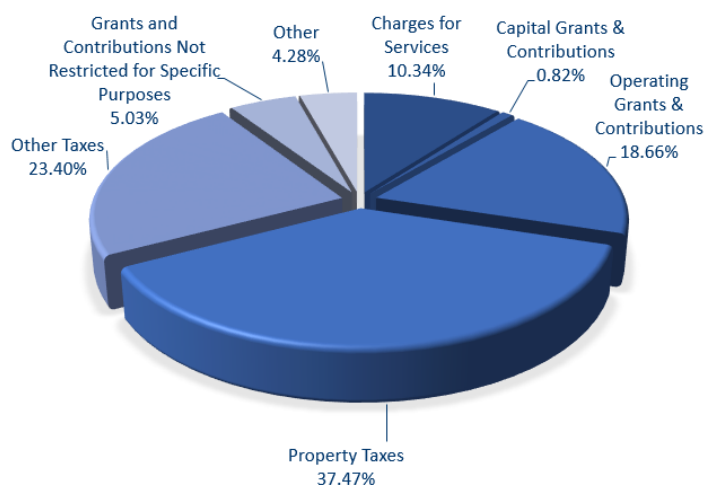


Revenues

Governmental activities captures the general revenues and continuing expenditures of primary governmental activities including public safety (police and fire), public works (roads and bridges), parks recreation and cultural affairs and general government. Revenues for fiscal year 2017 totaled \$724 million, a \$28 million increase from fiscal year 2016.

Governmental Activities Revenue	Fiscal Year	
Program Revenue	2017	2016
Charges for Services	\$ 74,932,416	\$ 76,753,079
Operating Grants & Contributions	135,193,939	132,611,088
Capital Grants & Contributions	5,941,421	5,672,118
General Revenue		
Property Taxes	271,460,824	263,395,351
Other Taxes	169,538,978	166,033,611
Grants and Contributions Not Restricted for Specific Purposes	36,440,122	34,863,429
Other	31,027,100	16,684,723
Total Revenues	\$ 724,534,800	\$ 696,013,399

Governmental Activities: Revenue by Source



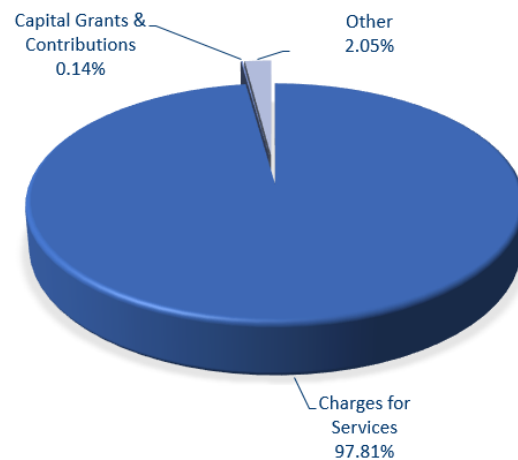
Property and other taxes comprise the vast majority of the governmental fund revenues at 61 percent of the total. Operating grants and contributions comprised the second largest source with 19 percent, followed by charges for service.

Revenues

Business-type activities include the operations of the City's Water and Wastewater Utilities and Parking Facilities. Total revenues for fiscal year 2017 were \$137,168,020 with the majority from fees categorized as charges for services of \$134,170,141.

Business-Type Activities Revenues

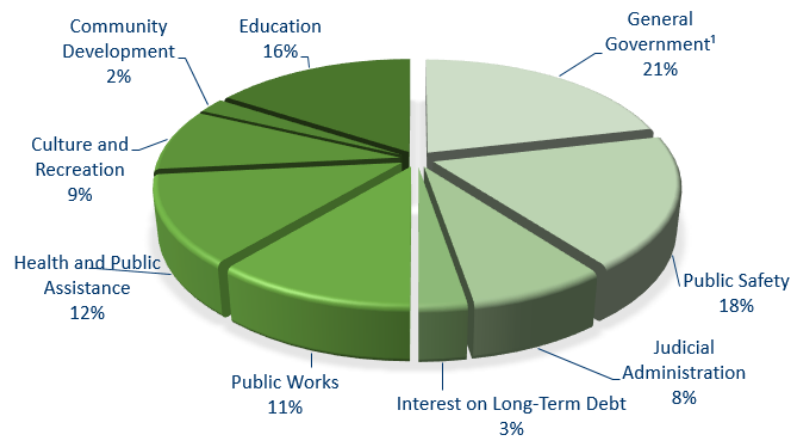
Business-Type Revenue	Fiscal Year	
	2017	2016
Program Revenue		
Charges for Services	\$ 134,170,141	\$ 128,183,788
Capital Grants & Contributions	188,476	337,654
General Revenue		
Other	2,809,403	2,739,440
Total Revenues	\$ 137,168,020	\$ 131,260,882



Where the Money Goes

The City's governmental activities include a variety of services with the majority of spending (34 percent) being for public education and public safety. Total expenses for governmental activities in fiscal year 2017 were \$726,708,389 and increase of 6 percent from fiscal year 2016.

Governmental Activities	Fiscal Year	
	2017	2016
General Government ¹	\$ 155,158,869	\$ 130,549,665
Judicial Administration	55,547,417	51,926,496
Public Safety	133,377,565	119,827,879
Public Works	80,825,192	79,200,166
Health and Public Assistance	89,102,636	85,730,329
Culture and Recreation	62,996,097	60,064,216
Community Development	15,402,399	16,733,929
Education	114,971,922	114,768,522
Interest on Long-Term Debt	19,326,292	22,950,501
Total Expenditures	\$ 726,708,389	\$ 681,751,703



¹ General Government expenditures are related to the administration of the City's affairs. These expenses include the cost of all elected officials, as well as the Departments of Finance and Law, among many others.

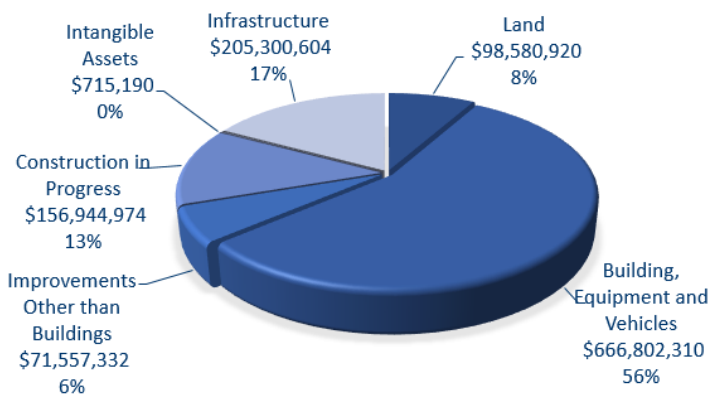


Capital Assets

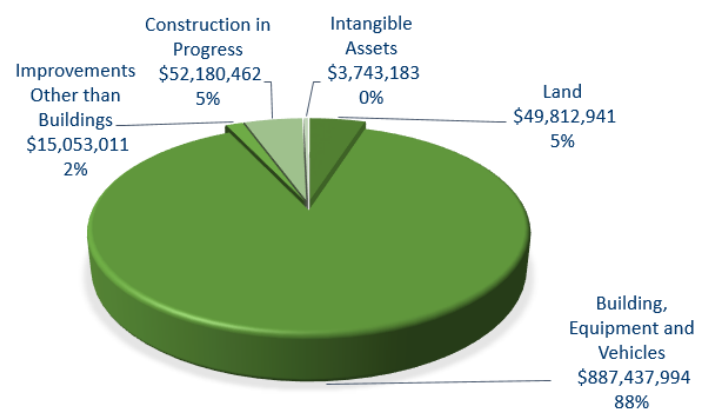
Assets can be generally defined as the items the City owns that will provide a benefit in the future. Specifically, the City's capital assets are owned primarily for their contribution to the quality of the community, for instance, a parcel of land that is owned and used as a park (governmental activity), or a public parking garage that charges for permit parking (business-type activity). The City's capital assets are assigned as either assets associated with governmental activities or as assets associated with business-type activities.

The City's total capital assets at June 30, 2017, was \$2,208,128,921 consisting of \$1,199,901,330 in governmental assets and \$1,008,227,591 in business-type assets. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water, sewer systems, etc.) machinery, equipment, intangibles and construction in progress. Infrastructure assets represent 17 percent of total general governmental assets.

Governmental Capital Assets Total



Business-Type Capital Assets Total



Statement of Net Position

The financial balance sheet, known in accounting terms as the “Statement of Net Position,” provides a picture of the health of the City at the end of a fiscal year, which can then be compared against other fiscal years. The City’s fiscal year is twelve months beginning July 1st, and running until June 30th.

The City owns things of value called *assets*; amounts owed to others are called *liabilities* or debt. Deferred outflows and inflows of resources are new terms for things that are similar to assets and liabilities, but that didn’t meet the technical definition. The difference between assets and liabilities is called *net position*. Positive net asset position balance indicates a measure of financial stability. Net Position is the common measurement term for both the governmental and business-type activities when they are reported together. This allows all activities to be combined and shown as *government-wide* totals for the primary government. The categories of net position are listed in order of decreasing restrictions, with net investment in capital assets being generally unavailable for spending and unrestricted net position being available for use without restriction. The negative balance of \$64,776,651 of unrestricted net position is due to the adoption of GASB 68 and the recognition of the net pension liability to the City’s employee retirement system and the Virginia retirement system.

Over time, net position may serve as a useful indicator of the City’s financial position. In the case of the City, assets exceeded liabilities by \$690,885,405 at the close of fiscal year 2017. This is an increase of approximately 4 percent from fiscal year 2016.

	Fiscal Year	
	2017	2016
What We Have	Current and Other Assets	\$ 395,489,341
	Capital Assets	2,208,128,921
	Deferred Outflows of Resources	124,991,259
	Total Assets and Deferred Outflows of Resources	2,728,609,521
What We Owe	Long-Term Liabilities	1,636,975,190
	Other Liabilities	385,915,757
	Deferred Inflows of Resources	14,833,169
	Total Liabilities and Deferred Inflows of Resources	2,037,724,116
What's Left	Net Position	
	Net Investment in Capital Assets	708,383,585
	Restricted	47,278,471
	Unrestricted	(64,776,651)
	Total Net Position	\$ 690,885,405
		\$ 664,359,833

Income Statement

The City's income statement is known as the Statement of Activities and presents information showing how the government's net position changed during the fiscal year for governmental and business-type activities. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement on an accrual basis. Governmental funds such as the General fund are reported on a modified accrual basis of accounting, but are included in this statement on an accrual basis like the business-type funds.

Business-Type and Governmental Activities Totals	Fiscal Year	
	2017	2016
Program Revenue		
Charges for Services	\$ 209,102,557	\$ 204,936,867
Operating Grants & Contributions	135,193,939	132,611,088
Capital Grants & Contributions	6,129,897	6,009,772
General Revenue		
Property Taxes	271,460,824	263,395,351
Other Taxes	169,538,978	166,033,611
Grants and Contributions Not Restricted for Specific Purposes	36,440,122	34,863,429
Other	33,836,503	19,424,163
Total Revenues	861,702,820	827,274,281
Expenses		
Governmental Activities	726,708,389	681,751,703
Water Utility	65,319,522	59,414,650
Wastewater Utility	22,071,798	19,225,868
Parking Facilities	21,077,539	20,650,568
Total Expenses	835,177,248	781,042,789
Increase (decrease) in Net Position before Transfers	26,525,572	46,231,492
Net Position Beginning of Year	664,359,833	618,128,341
Net Position End of Year	\$ 690,885,405	\$ 664,359,833

Debt Administration

General Obligation Debt Limit

The Commonwealth of Virginia state statutes limit general obligation (G.O.) outstanding debt to 10 percent of a local government's assessed valuation for property tax purposes. The City's G.O. debt that applies to the debt limit is \$1.07 billion, which is 54.9 percent of assessed valuation and is significantly less than the current calculated statutory debt limit of \$1.94 billion.

Outstanding Debt

The City debt structure includes general obligation debt that is backed by the full faith and credit of the City and revenue debt that is supported by income from operations. The City also maintains a line of credit to fund short-term capital needs before the issuance of long-term debt.

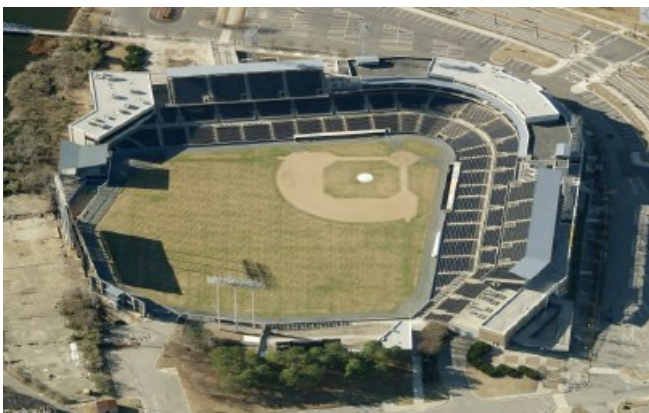
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 611,875,024	\$ 570,456,274	\$ 244,032,413	\$ 225,811,662	\$ 855,907,437	\$ 796,267,936
Line of Credit	189,802,546	175,289,003	10,088,750	16,710,997	199,891,296	192,000,000
Revenue Bonds	-	-	382,645,048	390,890,944	382,645,048	390,890,944
Total	\$ 801,677,570	\$ 745,745,277	\$ 636,766,211	\$ 633,413,603	\$1,438,443,781	\$ 1,379,158,880

Credit Rating*

Bond Program**	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
General Obligation	Aa2	AA+	AA+
Water Revenue	Aa2	AA+	AA+

*Contact the appropriate agency for an explanation of what each rating means

**No underlying ratings for Wastewater Revenue Bonds



CIP funds to help improve Harbor Park.



CIP funds to be used to reduce neighborhood flooding.

Norfolk Awards and Recognition

Finance Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the 31st consecutive year that the City received this prestigious award. This award is valid for a period of one year only. We believe that the FY 2017 CAFR continues to meet the requirements and it will be submitted to GFOA again this year.

Ranked 2nd for
Friendliest City in USA
Travel and Leisure,
2016

Ranked 1st in Best
Place in Virginia to
Own a Home
SmartAsset,
2017

#27 Best Fleets in
North America
*National Automotive
Fleet Association,*
2017

Ranked 4th Among
Top Charming Cities in
the South
CNN Travel,
2017

Top 50 Best Places to
Travel
Travel and Leisure,
2017

Selected to Participate
in What Works Cities
Initiative
*Bloomberg
Philanthropies,* 2017

Glossary

The following terms are used in this report and are defined below.

Accrual basis—revenues are recorded when earned and expenses are recorded when a liability is incurred, not when the cash is paid.

Assets— what the City owns.

Business-type activities— private sector-type operations where fees for services typically covers all or most of the cost of operations, including depreciation.

Capital Assets—items such as City land, construction in progress, equipment, infrastructure and buildings and improvements not of depreciation.

CIP— Capital Improvement Project.

Deferred inflows— an acquisition of a net asset that is applicable to a future reporting period.

Deferred outflows— a consumption of net asset that is applicable to a future reporting period.

Governmental activities— activities generally financed through taxes and intergovernmental revenues. Includes primary governmental functions like public safety, public works, parks and recreation and general government.

Liabilities— what the City owes.

Modified accrual basis of accounting— method under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the associated liability is incurred.

Net position— difference between assets and liabilities. It is the net worth of the City.

Restricted— funds that are not available for use because they have been set aside for a specific purpose or project.

Unrestricted— one-time funds available to use for operations.



About this Report

Although this report is largely based on the City's 2017 Comprehensive Annual Financial Report, this report is not prepared in accordance with generally accepted accounting principles ("GAAP"). Only the financial data for the general government is included in this report and, therefore, all of the City's discretely presented component units are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. A copy of this PAFR, as well as the City's audited 2017 CAFR, which is prepared in accordance with GAAP, is located at <http://www.Norfolk.gov/Finance>

Comments and Questions

The Department of Finance is committed to accomplishing the City Council's priorities and providing clear and transparent reporting of the City's financial activities. We hope this report has been helpful in providing a brief overview of the City and its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

City of Norfolk, Department of Finance
810 Union Street, Suite 600
Norfolk VA, 23510

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Learn about City facilities and programs
See photos of current City Projects



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See regular updates from our website
newsfeed!



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Recent Headlines
Upcoming Events

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Department of Finance

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Norfolk, VA 23510

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For more information about the City's Department of Finance,

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